

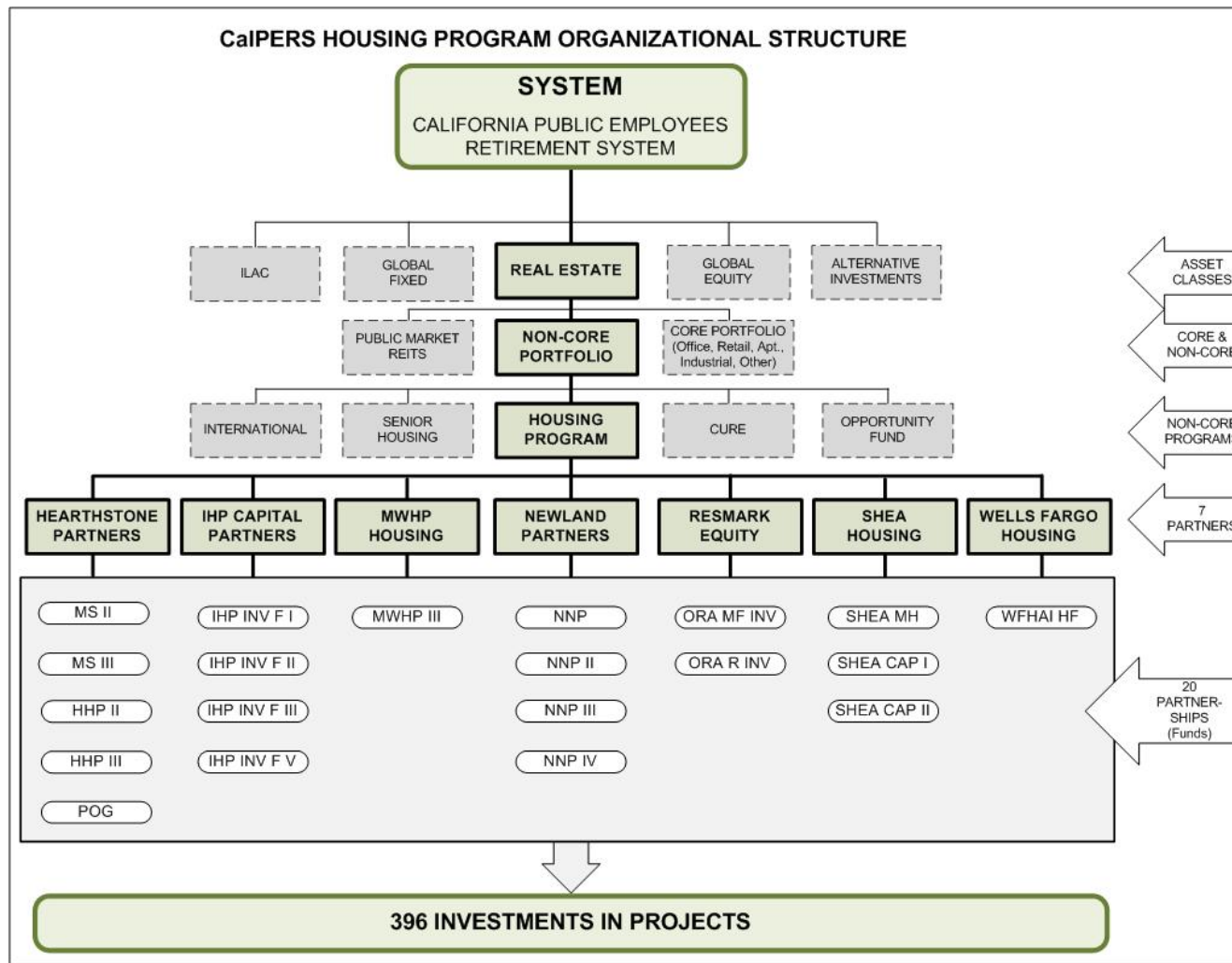
LE PLASTRIER DEVELOPMENT CONSULTING

# CalPERS Housing Program

November 2008

# Housing Program Overview

## ORGANIZATION



# Housing Program Overview

## CHRONOLOGY

1992

- ❑ **Single Family Housing Program established** in response to Savings and Loan liquidity crisis.
- ❑ **CalPERS selected five Partners:**
  - 1) Prudential (later merged with IHP)
  - 2) Hearthstone (still active)
  - 3) Wells Fargo Realty Advisors (still active)
  - 4) IHP Capital Partners (still active)
  - 5) Residential Real Estate Partners (not active)
- ❑ **Each Partner allocated \$75 million for a total of \$375 million**

1994

- ❑ **Land A&D program added** to develop residential land and sell to builders.
- ❑ **Program added three new Partners:**
  - 1) M/W Housing Partners (still active)
  - 2) Newland Capital Advisors (still active)
  - 3) Resmark Equity Advisors (still active)
- ❑ **Each Partner received an allocation of \$60 million**

# Housing Program Overview

## CHRONOLOGY (CONT'D)

**1999**

- ❑ **Single Family Housing and Land A&D programs consolidated into National Housing Program**
- ❑ **Investments outside of California permitted**

**2005**

- ❑ **Shea Homes added as single fund Partner for Mountain House and Trilogy**

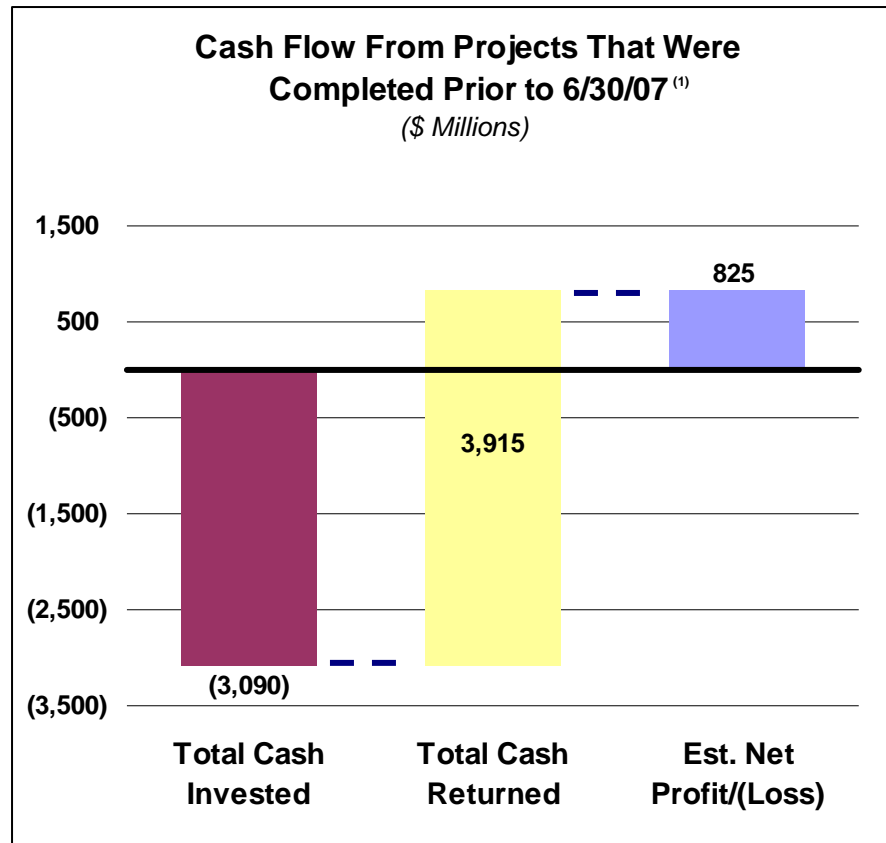
# Housing Program Overview

## INVESTMENT OVERVIEW

- Housing Program investments are located in 20 states
- The Program's most significant investments are in California, Arizona, Florida and Texas
- 396 investments in projects
- 288,000 total lots in Housing Program



# Completed Projects Performance



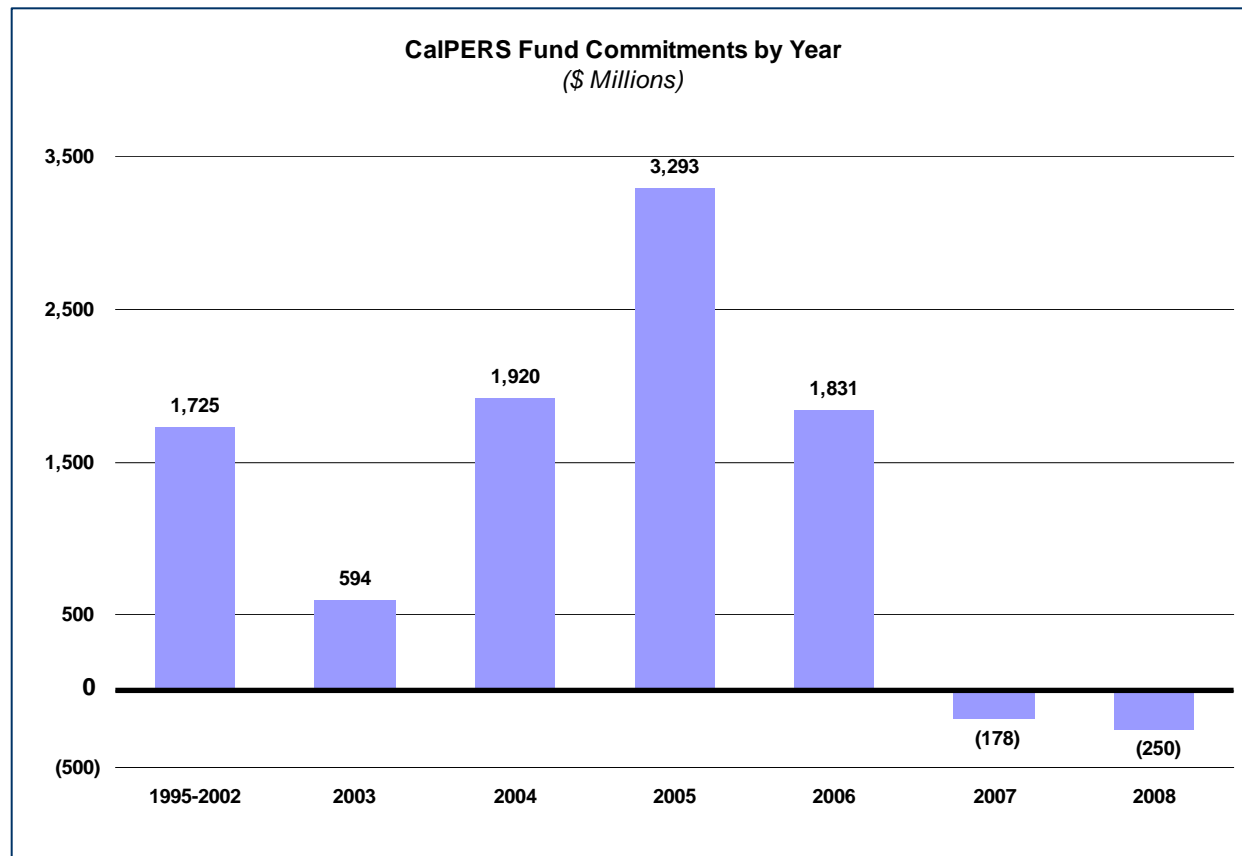
Source: Unaudited data provided by partners

**25.3% IRR on  
Completed Projects  
(as of June 30, 2007)**

Note:

1. Reflects realized cash flow from all projects that were completed as of 6/30/07

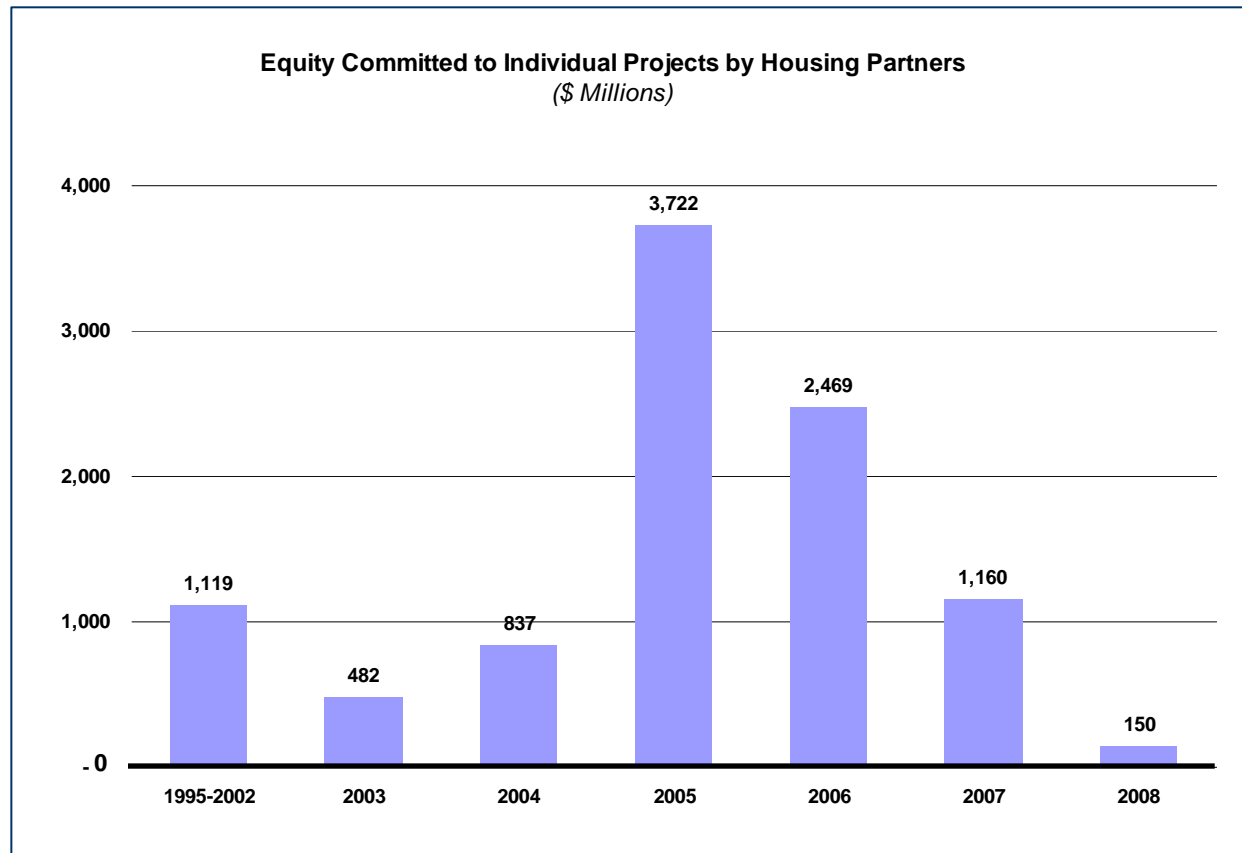
# CalPERS Commitments to Housing Partners



Source: Housing Program data

# Housing Partners Commitments to Projects

## PROJECT-LEVEL COMMITMENTS MADE BY PARTNERS



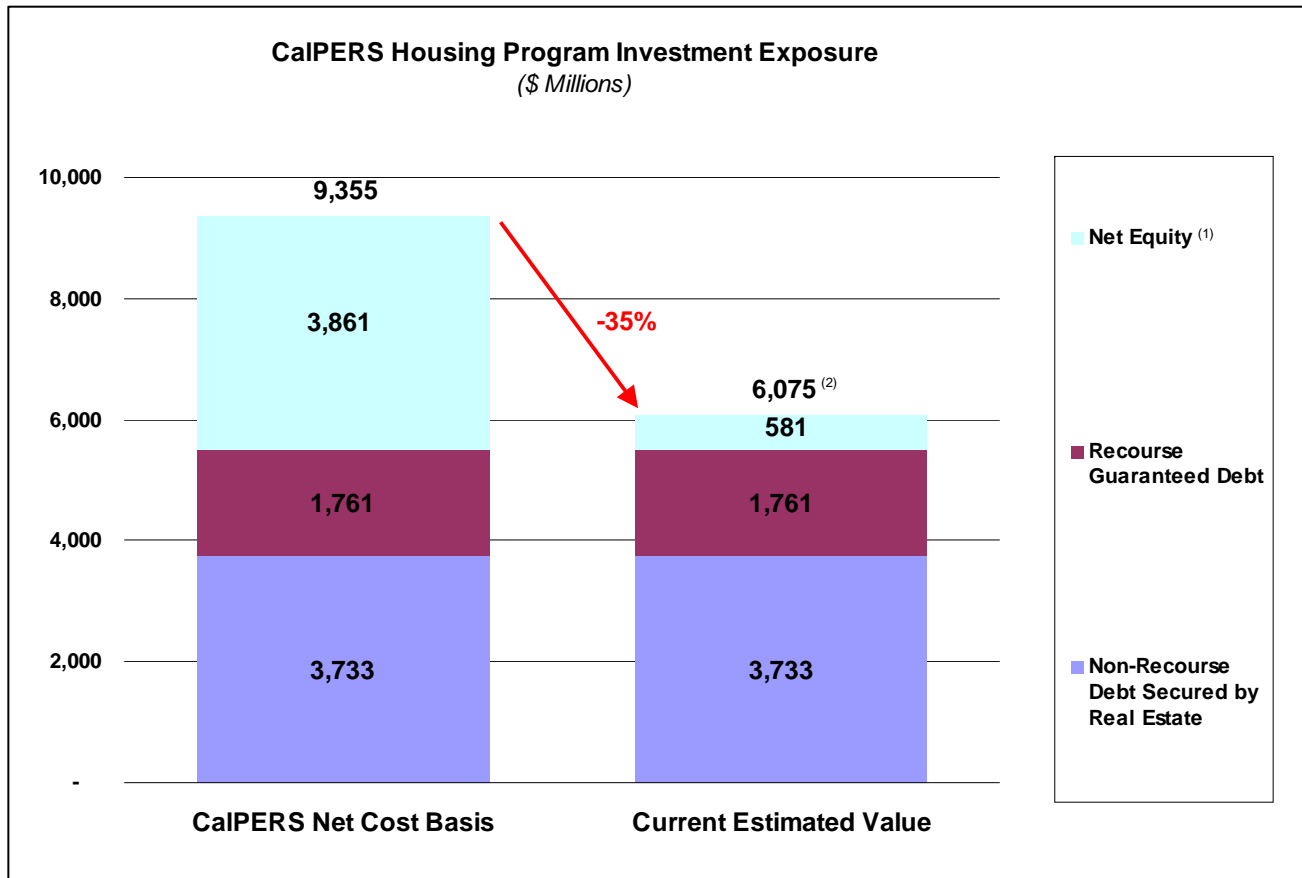
Source: Housing Program partner data

Note: Multi-year commitments provided for reinvestment of capital



# Current Investment Exposure

## HOUSING PROGRAM INVESTMENT EXPOSURE AS OF 6/30/08



Source: Housing Program data

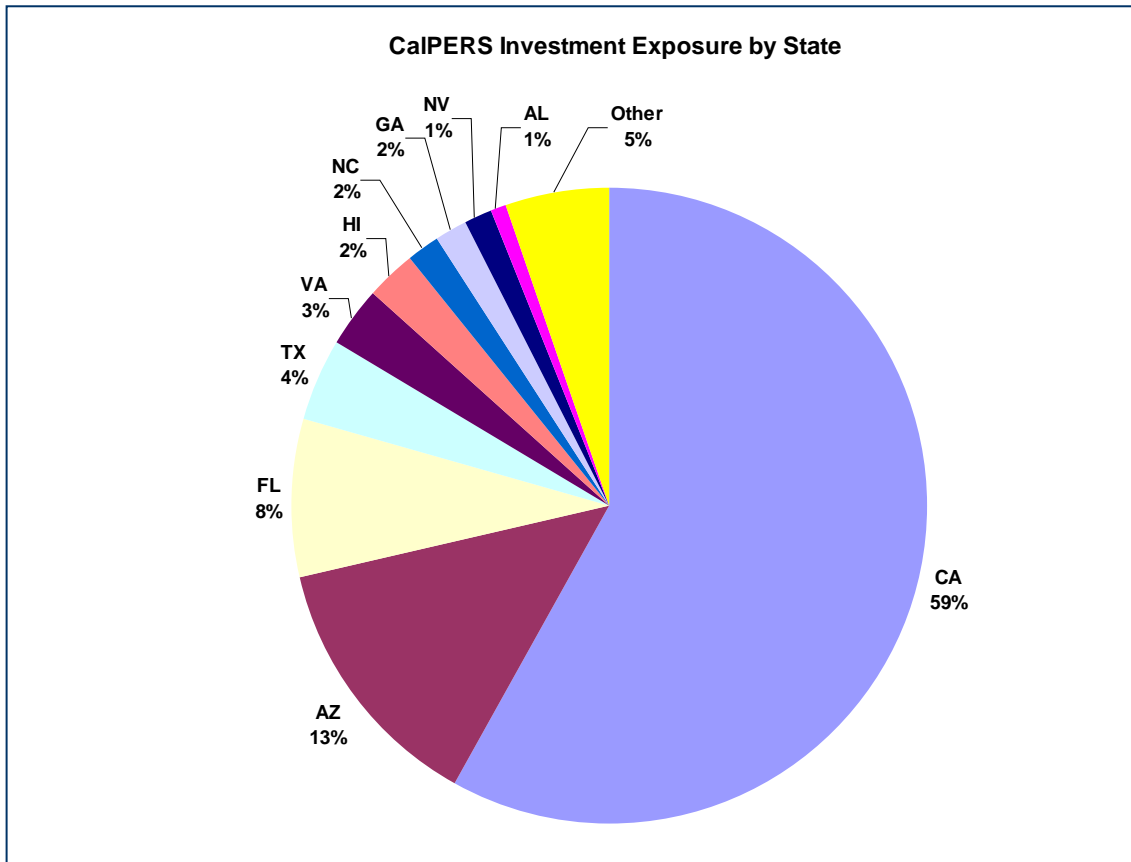
Note:

1. Cash funded plus realized profits less cash returned
2. Estimated current value calculated as CalPERS net cost basis less value decline of \$3.3bn related to 3/31/08 appraisals and incremental GAAP impairments recorded by Partners prior to date of appraisals

# Current Investment Exposure

AS OF 6/30/08

- Investments are concentrated in some of the most highly impacted markets in the country;
  - CA, AZ and FL currently represent nearly 80% of total project-level equity exposure
- Prior to current housing downturn, demographics appeared attractive;
  - Strong economic growth
  - High employment and population growth
  - "Baby Boom" demand (especially in AZ, NV and FL)
  - Anticipated lot shortage (especially in CA)

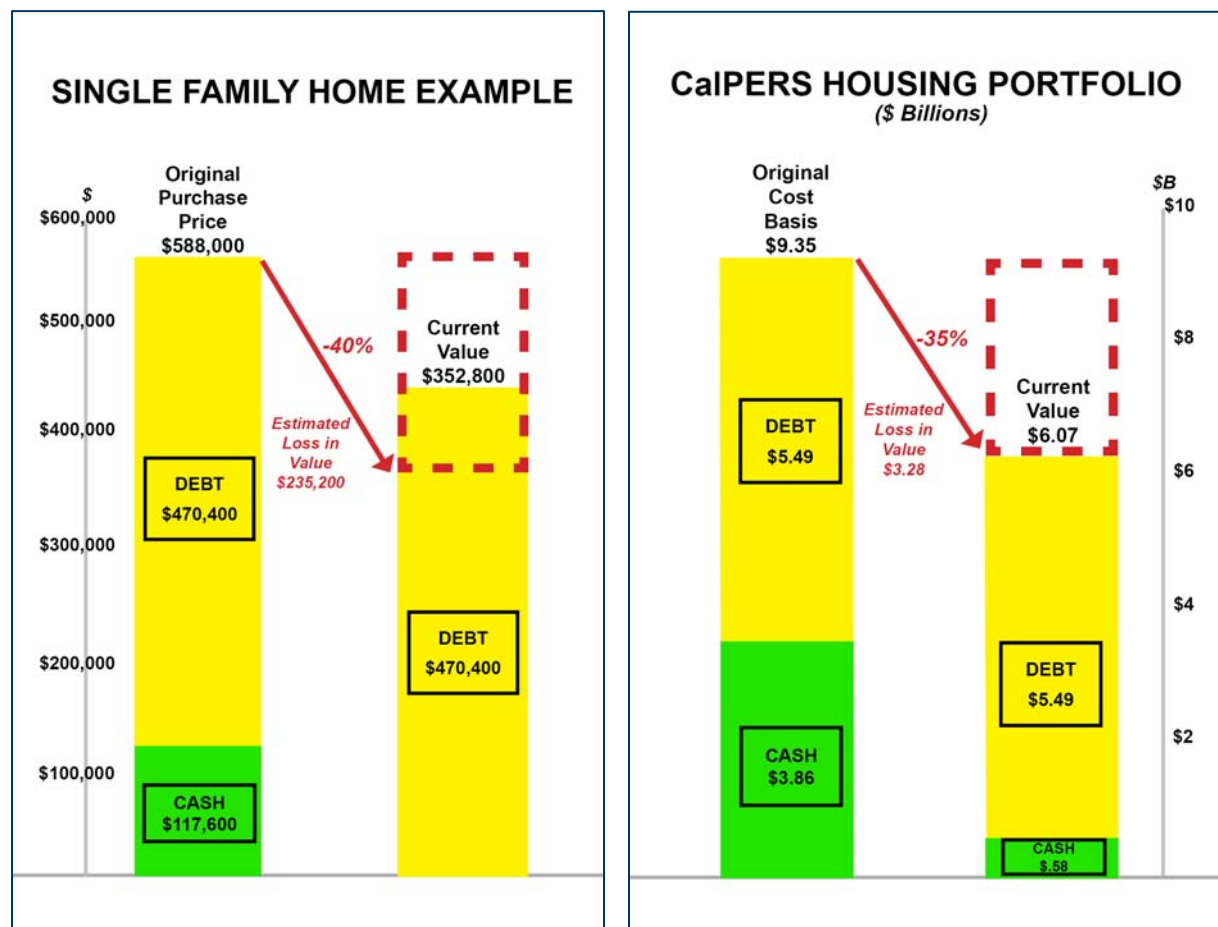


Source: Housing Program partner data

# Impact of Declining Investment Values

## ILLUSTRATIVE EXAMPLE

- The current downturn has caused a decline in the value of single family homes as well as the CalPERS Housing investment portfolio
- A market recovery in the future could lead to appreciation in values for homeowners and the CalPERS Housing Program



Source: Single family home data per California Association of Realtors (average home price – peak vs. August 2008); LDC